Operational Policy Letter #64

Department of Health and Human Services

Health Care Financing Administration

Center for Health Plans and Providers

Medicare Managed Care

December 24, 1997

HOSPITAL ENCOUNTER DATA REQUIREMENTS FROM THE BALANCED BUDGET ACT (BBA) OF 1997

Issue / Question:

How will the Health Care Financing Administration (HCFA) collect hospital encounter data, and what are the obligations of Managed Care Plans to fulfill this statutory requirement?

Resolution / Answer:

I. Summary

This OPL outlines a process for submitting hospital encounter data and is designed to provide plans with a general framework. The BBA requires health plans to submit encounter data. Data regarding inpatient hospital services are required for discharges on or after July 1, 1997. These data may be collected starting January 1, 1998. The encounter data are necessary to implement a risk adjustment methodology.

This OPL includes the following:

- A start-up period is provided during the first 6 months of 1998 that allows plans with time necessary to establish linkages to a fiscal intermediary (FI).

  -- During the start-up period only (January 1, 1998 - June 30, 1998), hospitals are required to submit encounter data to HCFA using the UB-92 for discharges for managed care enrollees, retroactive to July 1997.

-- We are also attempting to identify an alternative submission route for the start-up period only that allows plans to provide an abbreviated set of data elements for discharges occurring between July 1, 1997, and June 30, 1998.

- Plans may need to modify their contracts with hospitals to ensure that all managed care discharges are identified and that a completed UB-92 for each discharge is provided by the hospital to the plan.
- Plans must establish linkage to a FI no later than July 1, 1998, to submit data electronically. Plans should not contact any FIs until the specifics of the data collection process have been worked out. After plans establish the link to the FI, plans will be responsible for submitting hospital encounter data to HCFA using the UB-92.
- We plan to meet with the industry and FIs to further develop the specifics of the collection of hospital encounter data in early 1998.
- Additional OPLs will address specific details of this data collection process, including the specifics of the alternative submission route.

II. Background

Section 1853(a)(3) of the new Medicare+Choice program, created in Section 4001 of the BBA, requires Medicare+Choice organizations, as well as eligible organizations with risk-sharing contracts under Section 1876, to submit encounter data. Data regarding inpatient hospital services are required for discharges on or after July 1, 1997. These data may be collected starting January 1, 1998. Other data (as the Secretary deems necessary) may be required beginning July 1, 1998. HCFA is currently developing an approach to the collection of other encounter data and will be consulting with the industry on this process.

Section 1853(a)(3) also requires the Secretary to implement a risk-adjustment methodology that accounts for variation in per capita costs based on health status. This payment method must be implemented no later than January 1, 2000.

Encounter data are necessary to implement a risk adjustment method. Diagnoses from these data are used to determine payments. Additional claims supplying different diagnoses will either increase the payment or leave it the same. Plans do not have their payments reduced by supplying more encounter data.

Hospital data for discharges from the period July 1, 1997 - June 30, 1998, will serve as the basis for plan-level estimates of risk adjusted payments. Health plans that submit sufficient hospital encounter data will use this estimate in their Adjusted Community Rate Proposal (ACRP) for calendar year (CY) 2000. Statistical methods will be used to determine the estimate in the absence of sufficient data. These estimates will be provided to plans by March 1, 1999. Encounter data collected from subsequent time periods will serve as the basis for actual payments to plans for CY 2000 and beyond.

We will continue to work with the industry to define the specifics for the collection of these data. We intend to meet with plans and FIs in early 1998 to identify additional issues. Additional OPLs will address specific details of this data collection process.

In carrying out the BBA requirement to obtain hospital encounter data, HCFA is establishing a data flow that is similar to the method implemented for the Medicare Choices Demonstration sites. Currently, Medicare Choices Demonstration sites are required to submit full encounter data to a FI or carrier.

For example, for each discharge of a managed care enrollee, hospitals under contract to a Medicare Choices Demonstration plan submit a completed UB-92 to the plan. The plan attaches the plan identifier, which is the HCFA-assigned Managed Care Organization Contract Number, and submits the pseudo-claim electronically to the FI. The data processing flow for the demonstration is very similar to current claims processing for the fee-for-service system, except that no payment is authorized to the plan. This is the general process we will implement for the collection of hospital encounter data.

III. Submission of Hospital Encounter Data

Plans have a 6-month start-up period, beginning January 1, 1998, to establish procedures for ongoing compliance with the requirements of the BBA. HCFA has developed special procedures to ensure that hospital encounter data are submitted to HCFA for discharges occurring during this period.

The special procedures for the start-up period are first outlined below, followed by the requirements for ongoing operations.

A. Special procedures for the Start-Up Period (January 1, 1998 - Not Later Than June 30, 1998)

1. *Identification of hospital discharges*

   In an effort to ensure that HCFA receives encounter data for all hospital discharges that occur on or after July 1, 1997, plans must work with hospitals to develop a procedure that ensures that all hospital discharges of Medicare managed care enrollees are identified. In order to assist hospitals in identifying enrollees who are hospitalized, the plan must provide the Medicare identification (HIC) number to the hospital for each hospitalized enrollee. Plans may also need to modify their contracts with hospitals to ensure that all managed care discharges are identified and that UB-92s are provided by the hospital to the plan for each discharge.

2. *Transmission of Data to HCFA*

Currently, most plans do not have the capacity to submit data electronically to a FI, and communication between FIs and plans has not been established. Therefore, during the start-up period only, unless an alternative approach is approved by HCFA, hospitals must submit completed UB-92s for the Plan's enrollees. These claims must be submitted to the hospital's regular fiscal intermediary. This is a current requirement for hospitals, and they are expected to comply with this requirement.

If a hospital is unable to submit these data on behalf of the plan during the start-up period, an alternate method of submitting the data may be developed by HCFA. One such method would require the plans to submit a subset of data elements that are found on the UB-92. Possible data elements include the following: Plan Contract Number; Health Insurance Claim number or HIC (which is also known as the Medicare Identification Number); enrollee's name; enrollee's State and county of residence; enrollee's birthdate and gender; Medicare Provider Number for the Hospital; claim from and thru date; admission date; and principal and secondary diagnoses codes. If an alternative method is necessary, HCFA will specify the data elements, submission route, and format for these data in a later OPL. (In this OPL, plans will be instructed on the process for selecting a data transmission route.)

3. *Establishment of Linkages for Submitting Data Electronically to a Fiscal Intermediary*

During the start-up period, the plan is expected to establish an electronic data linkage to a FI to be determined by HCFA. Plans should not contact a FI until HCFA has determined the specifics of the data collection process. By July 1, 1998, the Plan is expected to have completed this linkage, including testing of the linkage, and to be capable of transmitting hospital encounter data to a FI to be determined by HCFA. Once the linkage has been established, all data must be submitted using this route. (More information on the transmission of data to HCFA is provided below.) Each plan and/or contract will use a single FI.

HCFA will establish a series of interim deadlines to ensure that plans are making sufficient progress toward accomplishing this linkage no later than June 30, 1998. HCFA and the Regional Offices (ROs) will assist plans in initiating discussions with their FI. Additional information regarding these processes will be coming in a later OPL.

B. Procedures for Ongoing Operations

Plans must continue to work with hospitals to ensure that all hospital discharges of managed care enrollees are identified. Plans should continue to assist hospitals in identifying enrollees who are hospitalized; the plan must provide the Medicare identification (HIC) number to the hospital for each hospitalized enrollee.

For discharges on or after July 1, 1998, hospitals must provide encounter data to the plan in the UB-92 format. The HIC number must be included on the UB-92 prepared by the hospital. Once the hospital has transmitted a UB-92 to the plan, the plan must add the plan number and/or other plan identifiers as specified by HCFA. Then, plans shall submit claims electronically in UB-92 or ANSI 837 format to the FI.

Hospital encounter data should be submitted over the signature of the Chief Executive Officer (CEO) attesting to the validity and completeness of the data. A process for this attestation will be established. For discharges on or after July 1, 1998, hospital encounter data must be submitted to the FI through the managed care plan.

As an alternative to direct plan transmission to the FI, plans may make arrangements to subcontract to a third party the electronic transmission of data to a FI. Plans that contract with a third party for this function do so with the knowledge that the plan that has contracted with Medicare is still responsible for the submission of data.

C. Additional Information

Plans that fail to submit complete and timely information on hospital discharges that occur on or after July 1, 1997, will be subject to contract actions and/or intermediate sanctions. In addition, plans that contract with a third party subcontractor to submit encounter data are still legally responsible for the submission of these data and will be subject to the same contract actions and/or intermediate sanctions if their third party subcontractor does not comply with HCFA requirements.

Plans should also take note of the following:

- The Health Insurance Portability and Accountability Act of 1996 (HIPAA) addresses the need for data standards that lead to administrative simplification. It mandates the establishment of these standards for use in the following electronic transactions: health claims, health encounter information, health plan enrollment and disenrollment, health plan eligibility, as well as other types of transactions. The standards are applicable to all health plans and to those health care providers who use electronic transactions. HIPAA stipulates the way in which the standards are to be

established and the time schedules for implementation. HCFA expects the Notice of Proposed Rulemaking to be published in the **Federal Register** by early 1998, with the final rules to be published in mid-1998. Plans are required to implement these standards within 24 months of their adoption (small health plans have 36 months). HCFA will comply with HIPAA requirements regarding standards and record layouts for all encounter data from managed care plans. However, before HIPAA is effective, we expect hospital data to be transmitted to FIs in UB-92 or ANSI 837 format.

- Plans should also consider issues concerning the exposure of health plan management information systems to the year 2000 (Y2K) date computation problem. This problem stems from the common practice of abbreviating dates used in computer systems. HCFA will provide additional information to the plans regarding millennium compliance at a later time.

Contact:

HCFA Regional Office Managed Care Staff